

**FERC Transmission Planning and Expansion to Promote
Fuel Diversity Technical Conference**

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Good Morning, Mr. Chairman, Commissioners and Staff. I am Bruce Rew, Director of Engineering for Southwest Power Pool. Today I will present a brief update on current transmission planning and expansion activities at SPP. SPP believes that its recent activities related to cost allocation, aggregate processing of long-term requests, and transmission planning will provide enhanced opportunities to expand the transmission system to meet its short-term and long-term transmission delivery demands.

Last month SPP received FERC approval of its RTO cost allocation provisions. These provisions, developed by the SPP Regional State Committee, through an extensive stakeholder process including state commission representatives, provide for certainty in the cost allocation of reliability and economic transmission upgrades needed in the region. The SPP has a "License Plate" or zonal rate design with differing rates in each pricing zone. For reliability upgrades, which are those upgrades necessary to serve the existing obligations, 1/3 of an upgrade's costs will be allocated on a region-wide basis with 2/3 of the cost allocated to pricing zones deemed to benefit from the upgrade. Reliability upgrades for new and changed designated network resources will be included, as long as the resources are designated for at least 5 years in length and the resources designated in total do not exceed 125% of the customers projected peak load responsibility. The inclusion of new network resources; i.e. additional coal resources into a regional/zonal cost sharing plan should be of particular interest.

Economic upgrades will be funded on a voluntary basis and will be eligible for revenue credits provided from new point-to-point and network transmission service also using the new facilities. Revenue crediting will also be similarly available for upgrades required for requested service and generation interconnection network service.

Late last year, SPP was approved as an RTO. In anticipation of that approval, we initiated our regional planning process. That process consists of two parts. The first focused on reliability upgrades and the second on economic upgrades. SPP has completed the reliability part of the planning process, identifying approximately \$550 million in needed transmission upgrades. We are preparing for our next transmission summit to determine potential regional economic

projects. This summit will be held the first week of June. Our work will lead to identification of transmission facilities that will provide regional economic benefits allowing customers the opportunity to voluntarily fund those projects. SPP will complete its first transmission expansion plan including both reliability and economic upgrades later this year. The SPP Board of Directors approved the reliability portion of the Base Plan in April 2005.

SPP has also implemented an aggregate study process for long-term requests. There will be 3 open seasons each year during which time customers will submit requests for long-term service. All requests queued for study will be evaluated simultaneously in order to determine the least cost transmission expansion necessary to accommodate the requests. This new study process will provide for cost sharing of transmission upgrades on a pro-rata basis as well as transmission revenue credits for charges in excess of the base rate. This cost sharing should facilitate greater transmission expansion in the region.

Additionally, we initiated, on an experimental basis, a provision that allows for customers to prepay for transmission service. These prepaid funds are used to upgrade constraints limiting the availability of short-term transmission service. This experimental program has resulted in funding of upgrades to 10 facilities, resulting in the expansion of transmission capacity in the short-term market.

These recent efforts of SPP and its Regional State Committee will improve the availability of incremental transmission service and provide greater market opportunities in the region.

Thank you for offering me this opportunity to participate in today's discussion. I would be happy to answer any questions that you may have.